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Income tax

Charity Self-employment Investment Assets Dividends Preparation Liabilities Interest Refund Bracket Return Balance Individual Withholding Accounting Audit Tax day Salary

Schedule Finance Depreciation Capital gain Penalty Forms

Indirect tax

manufacture services ultimate buyer proceeds constitutional sense broadly

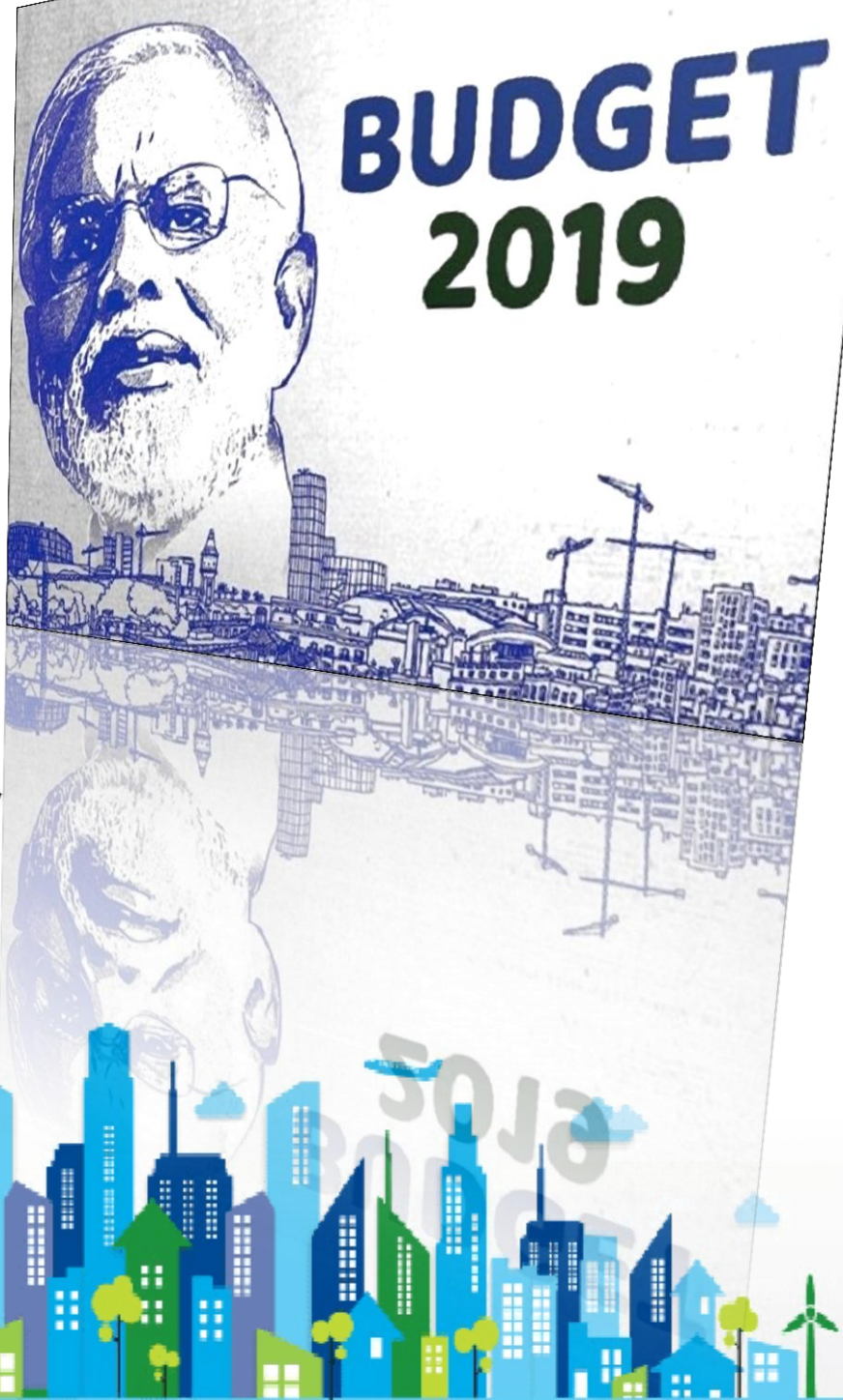
return salary price forwards taxpayer contracted

Producers case colloquial duty direct burden

commentators liquor duty broadly

outsources Imposed tax indirectly costs

government imposed tax indirectly costs



SIGNIFICANT PROPOSALS IN BRIEF - GENERAL

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HIGHLIGHTS

❖ **DIRECT TAX:**

- No changes in tax rates have been proposed in the Interim Budget 2019.
- Individual taxpayers with annual income up to Rs 5 lakh to get full tax rebate u/s 87-A of Income Tax Act, 1961. If appropriate planning is made, even higher income earners can get the benefit using various deductions.
- Standard tax deduction for salaried person u/s 16 of Income Tax Act, 1961 has been raised **from Rs 40,000 to Rs 50,000.**
- A taxpayer **can now claim Two houses as Self Occupied instead of One** u/s 23 of Income Tax Act, 1961 enabling them to claim nil NAV in case of both the houses. The limit of deduction on account of interest payable on borrowed capital u/s 24 shall continue to apply to the aggregate of the amounts of deduction in case of more than one self-occupied houses.
- No Notional Rent on inventory held by builders for two years after completion of the project. This benefit given to unsold inventory has **increased from one year to two years.**
- Benefit of rollover of capital tax gains to be increased from investment in **one residential house to that in two residential houses** u/s 54 of Income Tax Act, 1961, for a taxpayer having capital gains up to 2 crore rupees; **can be exercised Once in a lifetime.**
- Benefits under Sec 80-IBA of Income Tax Act, 1961 being extended **for one more year**, for affordable housing projects approved till end of F.Y.2019-20.
- TDS threshold on rental income u/s 194-I of Income Tax Act, 1961 has been **raised from Rs 1.8 lakh to Rs 2.4 lakh p.a.**
- Ceiling Limit of TDS u/s 194A of Income Tax Act, 1961-‘Interest on Bank and Post Office deposits’ has **increased from Rs.10,000 to Rs.40,000 p.a.**
- Within 2 years, Tax assessment will be done **electronically**. IT returns processing will be expected to be completed in just 24 hours.

❖ **INDIRECT TAX:**

- Businesses with less than Rs. 5 crore annual turnover, comprising over 90% of GST payers, will be allowed to return quarterly returns.
- Two per cent interest subvention on loan of 1 crore for GST registered MSME units.
- Recommendations have been given to the GST council for reducing GST rates for home buyers.
- Custom duty has been abolished for 36 Capital Goods.

❖ **OTHER AREAS:**

- Single window clearance for filmmaking to be made available to Indian filmmakers, anti-camcording provision to be introduced to Cinematography Act to combat film privacy.
- Increased allocation for Rashtriya Gokul Mission to 750 crore in current year.
- Two per cent interest subvention to farmers pursuing animal husbandry and fisheries.
- Committee under NITI Aayog to be set up to identify and de-notify nomadic and semi-nomadic communities; Welfare Development Board to be set up under Ministry of Social Justice and Empowerment for welfare of these hard-to-reach communities and for tailored strategic interventions.
- Mega Pension Yojana, namely Pradhan Mantri Shram Yogi Mandhan, to provide assured monthly pension of 3000 rupees will be provided to workers in the unorganised sector after 60 years of age. They will have to pay minimum contribution of Rs 55 starting from age of 18 and if they are joining this pension yojana at the age of 29 years will have to contribute only Rs 100 a month till the age of 60.
- The 4R approach has been implemented to ensure clean banking -
 1. Recognition
 2. Resolution
 3. Recapitalisation
 4. Reforms
- 2% interest subvention on restructured farm loan to farmers affected by natural calamities and additional 3% interest subvention for timely payment. The subvention which was initially available in the first year of restructuring is now made available for the entire restructured period of loan.

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- 25 per cent of sourcing for government projects will be from the MSME, of which three per cent will be from women entrepreneurs.
- As per Indian Stamp Act, 1899 for levy and administration of stamp duty on securities market instruments by the States at one place through one agency.
- As per Section 8(3) of the Prevention of Money-laundering Act, 2002 the time for which attachment shall remain valid during the period of investigation has been increased to 365 days from 90 days.
- Farmers with less than 2 hectares land holding will get income support of Rs 6,000 per year which will be transferred directly to the bank accounts of farmers in three instalments of Rs. 2,000. This will be made applicable from December 2018.

Indepth Analysis of Direct Taxes

A. Rates of Income Tax

The Tax rates for all persons remain the same as per the Finance Act, 2018, The rates are given as follows:-

❖ Tax Rates for Individual, HUF, AOP, BOI, Artificial Juridical Person:

<u>Income (Rs.)</u>	<u>Tax Rates (%)</u>
0 - 2,50,000	NIL
250,000 - 500,000	05.00
500,001 - 10,00,000	20.00
Above 10,00,000	30.00

- Basic Exemption is Rs 300,000 for Senior Citizens (being 60 years or above but less than 80 years)
- Basic Exemption is Rs 500,000 for Senior Citizens (being 80 years or more)
- **Rebate u/s 87A of Rs. 12,500 will be given to every resident individual who has total income up to Rs. 5 lakh.**
- Health & Education Cess @ 4% of the Tax Amount is leviable in each case
- Surcharge of 10% for taxable incomes (Including income chargeable U/s 115JC) exceeding Rs. 50 lakh but not exceeding Rs. 1 crore.
- Surcharge of 15% for taxable incomes (Including income chargeable U/s 115JC) exceeding Rs. 1 crore.

❖ Co-operative Societies:

<u>Income (Rs.)</u>	<u>Tax Rates (%)</u>
Upto Rs. 10,000	10.00
Rs. 10,000 – Rs. 20,000	20.00
Over Rs. 20,000	30.00

- Health & Education Cess @ 4% of the Tax Amount is leviable in each case.
- Surcharge of 12% for taxable incomes (Including income chargeable U/s 115JC) exceeding Rs. 1 crore.

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❖ **Partnership Firm (including LLP)**

- Tax Rate: 30 %
- Health & Education Cess @ 4% of the Tax Amount is leviable in each case
- Surcharge of 12% for taxable income exceeding Rs. 1 crore.

❖ **Companies:**

➤ **Tax Rates for Domestic Company:**

<u>Total Turnover or Gross Receipts</u>	<u>Tax Rates (%)</u>
Upto Rs. 250 crore in the financial year 2016-17	25.00
Other cases	30.00

- Surcharge at 7% if income (including income as per sec 115JB) exceeds Rs. 1 crore but does not exceed Rs. 10 Crore.
- Surcharge of 12% if income (including income as per sec 115JB) exceeds Rs. 10 Crores.
- Health & Education Cess of 4%

➤ **Tax Rates for Foreign Company:**

- Tax Rate 40%.
- Surcharge at 2% if incomes (including income as per sec 115JB) exceed Rs. 1 crore but does not exceed Rs. 10 Crore.
- Surcharge of 5% if Incomes (including income as per sec 115JB) exceed Rs. 10 Crore.
- Health & Education Cess of 4%

❖ **Local Authority:**

- Tax Rate: 30 %
- Education Cess @ 4% of the Tax Amount is leviable in each case
- Surcharge of 12% for taxable income exceeding Rs. 1 crore.

B. Head wise Amendments

❖ **Standard deduction on salary income:**

<u>Section</u>	<u>Existing Provision</u>	<u>Proposed Provision</u>
16	The income chargeable under the head "Salaries" shall be computed after making below deductions: (ia) a deduction of forty thousand rupees or the amount of salary which ever is less;	It is also proposed to raise the threshold for standard deduction on salary income from forty thousand rupees to fifty thousand rupees.

This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent years.

❖ **Widening of provisions of Section 23 for determination of taxable Annual Value of House Property:**

<u>Section</u>	<u>Existing Provision</u>	<u>Proposed Provision</u>
23(4)	Where the property is occupied by owner or cannot be occupied by owner for reasons which are beyond his control, where such property consists of more than one house- (a) the provisions of that sub-section shall apply only in respect of one of such houses , which the assessee may, at his option, specify in this behalf; (b) the annual value of the house or houses, other than the house in respect of which the assessee has exercised an option under clause (a), shall be determined under sub-section (1) as if such house or houses had been let.	It is proposed to that annual value of “two houses” shall be taken to be nil . The revised provisions under clause (a) shall be as under:- the provisions of that sub-section shall apply only in respect of two of such houses , which the assessee may, at his option, specify in this behalf. The revised provisions under clause (b) shall be as under:- the annual value of the house or houses, other than the two houses in respect of which the assessee has exercised an option under clause (a), shall be determined under sub-section (1) as if such house or houses had been let.

This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent years.

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❖ Widening of provisions of standard deductions under income from house property:

<u>Section</u>	<u>Existing Provision</u>	<u>Proposed Provision</u>
24	<p>Income under the head "Income from house property" shall be computed after making the following deductions, namely:</p> <p>(a) a sum equal to thirty per cent of the annual value;</p> <p>(b) where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital, the amount of any interest payable on such capital:</p> <p>Provided that the house is occupied by the owner for the purpose of his own residence or where it cannot be occupied due to reasons which are beyond his control the deduction shall not exceed thirty thousand rupees;</p> <p>Provided further that where the property referred to in the first proviso is acquired or constructed with capital borrowed on or after the 01.04.1999 and such acquisition or construction is completed within 28[five] years from the end of the financial year in which capital was borrowed, the amount of deduction under this clause shall not exceed two lakh rupees.</p>	<p>It is proposed to insert certain additional words in the existing provisos in order to bring them in line with the Amendment made u/s 23(4) i.e. now exemption can be availed in respect of Two Self Occupied Properties.</p> <p>The additional words and their significance is as follows:</p> <p>(a) in the first proviso, after the words "the amount of deduction", the words "or, as the case may be, the aggregate of the amounts of deduction" shall be inserted;</p> <p>(b) in the second proviso, after the words "the amount of deduction", the words "or, as the case may be, the aggregate of the amounts of deduction" shall be inserted;</p> <p>The impact of adding the above highlighted words is that, now since the Assessee is eligible to claim exemption in respect of 2 Self Occupied Properties the Interest claim in the above two clauses will be restricted to the respective amounts against both the exempt properties in totality and cannot be claimed twice with respect to each of the property.</p> <p>The Third proviso which is newly inserted supports the above explanation:</p> <p>(c) after the Explanation to the third proviso, the following proviso shall be inserted, namely:</p> <p>"Provided also that the aggregate</p>

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		<p>of the amounts of deduction under the first and second provisos shall not exceed two lakh rupees.”</p>
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This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent years.

❖ Profit on sale of property used for residence:

<u>Section</u>	<u>Existing Provision</u>	<u>Proposed Provision</u>
54(1)	<p>Capital gain arising from transfer of Long Term capital asset, being buildings or lands and being a residential house, the income from which is chargeable under “Income from House Property” and the Assessee has within a period of one year before or two years after the date on which the transfer took place purchased, or has within a period of three years after that date constructed, one residential house in India.</p>	<p>In order to bring in line with the amendment made in Section 23 and extend the additional benefit following proviso has been added u/s 54(1) for the taxpayers: W.e.f. 1st April, 2020 :- ‘If the amount of Capital Gain does not exceed Rs. 2Cr., the Assessee, may at his option, purchase or construct two residential houses in India.’ However if the Capital Gain is more than Rs. 2Cr. then the benefit of the above amendment cannot be availed and Assessee can only purchase or construct one residential house in India.</p>

Conclusion: The benefit of an amended option can be taken only **Once in a Lifetime.**

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❖ Deduction in respect of profit and gains from housing project:

<u>Section</u>	<u>Existing Provision</u>	<u>Proposed Provision</u>
80- IBA(2)(a)	Affordable Housing project shall be a project which is approved by the competent authority after the 1st day of June, 2016, but on or before the 31st day of March, 2019.	W.e.f 1st April, 2020, the Affordable Housing project shall be a project which is approved by the competent authority after the 1st day of June, 2016, but on or before the 31st day of March, 2020.

Conclusion: With the amendment the Assessee now has the benefit of another one year to get the housing project approved.

❖ Increase in limit of Rebate u/s 87A:

<u>Section</u>	<u>Existing Provision</u>	<u>Proposed Provision</u>
87A	An Assessee, who is an individual and resident in India and whose total income does not exceed Rs. 3,50,000/- shall be entitled to a deduction, from the amount of income-tax on his total income with which he is chargeable to tax for any assessment year, of an amount equal 100% of such income-tax or an amount of Rs.2500/- , whichever is less.	An Assessee, who is an individual and resident in India and whose total income does not exceed Rs. 5,00,000/- shall be entitled to a deduction, from the amount of income-tax on his total income with which he is chargeable to tax for any assessment year, of an amount equal to 100% of such income-tax or an amount of Rs.12500/- , whichever is less.

Interesting takeaway from the above amendment:

Every individual having a Gross Income of Rs. 6.50 lakhs may not be required to pay any income tax if they make investment u/s 80C. In fact, with additional deductions such as interest on home loans up to Rs. 2 lakhs, interest on educational loan, National Pension Scheme Contributions, Medical insurance, medical expenditure on senior citizens etc., persons having even higher income will not have to pay any tax if ultimately the Net Taxable Income falls within the range of Rs. 5 Lakhs.

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❖ Amendment u/s 194A- TDS on Interest other than 'Interest on Securities' & 194I- TDS on Rent:

<u>Section</u>	<u>Existing Provision</u>	<u>Proposed Provision</u>
194A	<p>As per the section, the Payer being other than individual or HUF (Other than those covered u/s 44AB) is liable to deduct TDS on payment of interest other than interest on securities at the prescribed rates. However, as per Section 194A(3)(i), no TDS shall be deducted where the amount being credited is Less than-</p> <ul style="list-style-type: none"> i) 10,000 - Where payer is a Banking company. ii) 10,000 – Where payer is a co-operative Society engaged in the business of Banking. iii) 10000 – On account of deposit with post office. iv) 5000 - In any other case. 	<p>The Existing Provision remains the same except where the limit for deduction of TDS of Rs. 10,000 wherever applicable is increased to Rs. 40,000.</p> <p>The abovementioned threshold limit has been increased to provide aid to the senior citizens, small depositors, non-working spouses who do not have any source of income other than interest on Bank deposits/Post Office Deposits and reduce the compliance burden of return filing and claiming refunds.</p>
194I	<p>As per the section, the Payer being other than individual or HUF (other than those covered u/s 44AB), shall deduct TDS on payment of any sum being in the nature of rent . Following are the rates at which the TDS shall be deducted :</p> <p>2% - On payment of rent of machinery or plant or equipment.</p> <p>10% - On Payment of rent of any Land or Building including factory Building.</p> <p>However no TDS shall be deducted where the payment of rent during the financial year does not exceed Rs.1,80,000.</p>	<p>The Existing Provision remains the same except where the limit for deduction of TDS of Rs.1,80,000 wherever applicable is increased to Rs.2,40,000 so as to provide relief to small taxpayers.</p>

C. Revision of Rates under Indian Stamp Act, 1899

❖ **Article 27:**

Existing Provisions:

<u>Debenture (whether a mortgage debenture or not), being a marketable security transferable :-</u>	<u>Proper Stamp-duty</u>
(a) by endorsement or by a separate instrument of transfer	0.05% per year of the face value of the debenture, subject to the maximum of 0.25% or rupees twenty-five lakhs whichever is lower.
(b) by delivery	

Proposed Provisions :

<u>Debenture [as defined by section 2 (10A)] :-</u>	<u>Proper Stamp-duty</u>
(a) in case of issue of debenture	0.005%
(b) in case of transfer and re-issue of debenture	0.0001%

❖ **After Article 56 and the entry relating thereto, the following Article and entries shall be inserted , namely Article 56A. Security other than debentures:**

<u>Description of Instrument</u>	<u>Proper Stamp-Duty</u>
(a) issue of security other than debenture	0.005%
(b) transfer of security other than debenture on delivery basis	0.015%
(c) transfer of security other than debenture on non-delivery basis	0.003%
(d) derivatives :-	
(i) futures (equity and commodity)	0.002%
(ii) options (equity and commodity)	0.003%
(iii) currency and interest rate derivatives	0.0001%
(iv) other derivatives	0.002%
(e) Government securities	0.00%
(f) repo on corporate bonds	0.00001%

D. Amendment to the PMLA Act, 2002 w.r.t Adjudication

<u>Section</u>	<u>Existing Provision</u>	<u>Proposed Provision</u>
8(3)	<p>Where the Adjudicating Authority decides under sub-section (2) that any property is involved in money-laundering, he shall, by an order in writing, confirm the attachment of the property made under sub-section (1) of Section 5 or retention of property or record seized under Section 17 or Section 18 and record a finding to that effect, such attachment or retention of the seized property or record shall -</p> <p>(a) continue during (investigation for a period not exceeding ninety days or) the pendency of the proceedings relating to any scheduled offence before a court; and</p> <p>(b) become final after the guilt of the person is proved in the trial court and order of such trial court becomes final.</p>	<p>Where the Adjudicating Authority decides under sub-section (2) that any property is involved in money-laundering, he shall, by an order in writing, confirm the attachment of the property made under sub-section (1) of section 5 or retention of property or record seized under Section 17 or Section 18 and record a finding to that effect, such attachment or retention of the seized property or record shall –</p> <p>(a) continue during (investigation for a period not exceeding three hundred and sixty-five days* or) the pendency of the proceedings relating to any scheduled offence before a court; and</p> <p>(b) become final after the guilt of the person is proved in the trial court and order of such trial court becomes final.</p> <p>*For the purposes of computing the period of three hundred and sixty-five days under clause (a), the period during which the investigation is stayed by any court under any law for the time being in force shall be excluded.</p>

Remarks: Hence, Clause 22 of the Finance Bill 2019 seeks to amend sub-section (3) of section of the Prevention of Money-laundering Act, 2002 so as to extend the time limit of ninety days for which the attachment shall remain valid during the period of investigation to three hundred and sixty-five days and also to provide that in computing the period of three hundred and sixty-five days, the period during which the investigation is stayed by any court shall be excluded.

E. Relief towards Real Estate Sector and Homebuyers

❖ ***Affordable Housing Scheme***

- Relief under affordable housing scheme **increased by one year** i.e. the projects approved after 31stMarch, 2019, but **on or before 31stMarch, 2020** will also be eligible for deduction u/s 80-IBA.

❖ ***Unsold Inventories***

- Relief u/s 23(5) in regards to notional rent on unsold property held as stock-in-trade **extended by one year** i.e. annual value for such inventory shall be taken as **'nil' for two years** from the end of the Financial Year in which certificate of completion is received.

❖ ***Relief to Homebuyers***

- The Government has appealed the GST Council to appoint a Group of Ministers to make recommendations so as to **reduce the GST burden on Homebuyers.**

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This document has been prepared as a service to the clients. We recommend you seek professional advice before taking decision on specific issues. The Finance Bill as introduced in the Parliament may undergo changes before its enactment.

Allow us to tell you more!



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